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# **INFORMATIONAL REPORT REGARDING MANAGED COMPETITION PROGRAM STATUS**

PRESENTATION TO  
COMMITTEE ON BUDGET AND FINANCE  
SAN DIEGO CITY COUNCIL  
AGENDA ITEM 2  
SEPTEMBER 12, 2007

# PRESENTATION OBJECTIVES

- Provide an overview of managed competition
- Review the managed competition process
- Provide an update on managed competition program progress to date
- Discuss next steps expected for the managed competition program



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# **WHAT IS MANAGED COMPETITION AND WHY ARE WE DOING IT?**



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# **A STARTING POINT: WHAT MANAGED COMPETITION IS NOT**

- Managed competition is not the same as outsourcing
- Managed competition is not a way to circumvent existing agreements and/or Memoranda of Understanding
- Managed competition is not something that is or will be “done” to employees—employees must be very involved in the process for it to work effectively



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# WHAT IS MANAGED COMPETITION?

- A structured, transparent process that allows an open and fair comparison of public sector employees and independent contractors in their ability to deliver services to our citizens.
- A strategy that recognizes the high quality and potential of public sector employees and seeks to tap their creativity, experience and resourcefulness by giving them the opportunity to structure organizations and processes in ways similar to best practices in competitive businesses.



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# WHAT WILL BE SUBJECT TO MANAGED COMPETITION?

- Aside from inherently governmental functions, all City functions will be subject to managed competition
- Being ‘subject to managed competition’ does not necessarily mean that a function will be competitively sourced
- Some governmental services are so intimately related to the public interest as to require performance by government employees—these will not be subject to managed competition and are considered inherently governmental



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# WHAT WILL BE EXEMPT FROM MANAGED COMPETITION?

- The City of San Diego has included policing, firefighting and lifeguarding in its definition of functions that are inherently governmental. Accordingly, there is no intention of ever competitively sourcing these critical public safety functions
- Said another way, no functions performed by members of a Public Safety Retirement System will be subject to managed competition



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# WHY ARE WE ENGAGING IN MANAGED COMPETITION?

- We have an obligation to our constituents to provide services in the most efficient and effective means possible
- Efficiency remains critical to our success in restoring the City to financial stability
- In November 2006, San Diego voters approved an amendment to the Municipal Code that allows for the implementation of a managed competition program to determine the most economic and efficient means of providing City services



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# HOW WILL MANAGED COMPETITION IMPACT CITY STAFF?

- The managed competition process begins with the conduct of pre-competition assessments on functions that have completed BPR studies. The first pre-competition assessments are expected to begin in the next few months
- Departments and their employees will:
  - Develop their Most Efficient Government Organization (MEGO) through Business Process Reengineering (BPR)
  - Complete the pre-competition assessments
  - Support developing a Statement of Work (SOW) and an employee proposal (through two teams—the SOW team and the Activity Department Employee Proposal Team (ADEPT)—that are ‘firewalled’ from one another)



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# COMMUNICATION STRATEGY

- Regular and complete employee communication, respecting ‘firewalls’ once they are put in place
- Communications to employees at every stage of the effort—no employees ‘blind-sided’ by having their jobs ‘outsourced’ from under them because:
  - 1) First and foremost, this is not outsourcing, and
  - 2) For every function, there will be a number of stages to managed competition that include difficult tasks—communications should accompany each



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# **HOW DOES THE MANAGED COMPETITION PROCESS WORK?**



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# PROCESS OVERVIEW

- After BPR, a function will be evaluated through a pre-competition assessment to determine if it will proceed on to a competitive procurement
- Using the pre-competition assessment report, the Mayor will decide if a function should be competitively procured
- If the decision is to move forward to the competitive procurement of a function or set of functions, a Statement of Work and acquisition plan will be developed
- An employee team will use their MEGO as well as information contained in the RFP to develop the in-house technical and cost proposals
- Proposals will be evaluated by the Managed Competition Independent Review Board to ensure that a level playing field will protect both City employees and outside vendors
- A recommendation will be made by the IRB as to whether a proposal of an independent contractor or the employee proposal is the “best value” to the City



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# PROCESS OVERVIEW (CONT.)

- Upon receipt of a “best value” service provider recommendation from the IRB, the Mayor can either accept or reject that recommendation in its entirety. If the recommendation is for an independent contractor to be the service provider and it is accepted by the Mayor, he will forward that recommendation to the City Council for approval
- Upon selection, the service provider, whether in-house or independent contractor, will have six (6) months to transition to providing the services in accordance with their proposal
- During the course of the contract, which shall not exceed five (5) years, the performance (service levels) of the provider will be monitored on a monthly basis and audited after the end of each annual performance period



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# HOW WILL WE DECIDE IF A FUNCTION SHOULD BE COMPETITIVELY PROCURED?

The decision will be based on several factors described in the *Guide*, including whether:

- 1) A function is inherently governmental
- 2) A competitive market for the function exists
- 3) Significant legal limitations exist
- 4) More efficiencies may be gained by competitively procuring
- 5) The function is too complex to be carried-out by an outside entity, thus making the likelihood of failure too great
- 6) Failure of performing the function would be too detrimental to the public welfare



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# WHAT PROTECTIONS ARE IN PLACE TO ENSURE A LEVEL PLAYING FIELD?

- At least two bids from independent contractors must be received for a contract decision to be made.
- The contracting recommendation will be made by an Independent Review Board of qualified professionals who are subject to strict conflict of interest standards and prohibited from future employment opportunities with contractors.
- The contracting recommendation will be based upon “best value” to the taxpayers.
- The Mayor can only accept or reject a contracting recommendation from the Independent Review Board. He cannot amend it. City Council can only accept or reject the Mayor’s proposal.



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# WHAT PROTECTIONS ARE IN PLACE TO ENSURE A LEVEL PLAYING FIELD? (CONT.)

- Should an award go to an independent contractor, employees will not be precluded or hindered from seeking employment with that contractor.
- Appropriate “firewalls” will be established between the various employee teams to protect the integrity of the process.
- Contracts will be limited to a five-year period and regular audits will ensure the agreed upon level of services are being provided.



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# WHAT IS THE FIREWALL?

- The firewall is a separation of communication, data, and responsibilities related to the competitive procurement of functions between the parties involved with the competition process
- A firewall will be established after a decision is made to competitively source a City function
- A firewall separates the SOW and ADEPT teams from each other and from other persons or groups outside of the teams



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# WHY A FIREWALL?

The firewall ensures a level playing field and prevents any proposer, including employees, from obtaining an unfair advantage through access to otherwise internal information



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# **HOW FAR ALONG ARE WE IN THE MANAGED COMPETITION PROCESS?**



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# MANAGED COMPETITION PROGRAM: PROGRESS TO DATE

- Completed Business Process Reengineering (BPR) studies on: Contracts, Development Services, Engineering & Capital Projects, Environmental Services, Fleet Maintenance, Human Resources, Information Technology, Lifeguarding, Streets, Publishing Services, MWWD, and Water Department Management functions
- Initiated BPR studies on: Classification Process, Reservoir Recreation, Facilities Maintenance, Park Maintenance, Fire-Rescue, Grants & Gifts, Libraries, and Police
- Selected managed competition program support vendor through competitive bidding process



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# MANAGED COMPETITION PROGRAM: PROGRESS TO DATE (CONT.)

- Drafted *Managed Competition Guide* with the support of our outside consultants
- Conducted informational sessions on the *Guide* with Local 127, Local 145, and MEA
- Initiated development of a functional breakdown of City services to assist in developing the next phase BPR schedule and in developing functional groupings for managed competition studies



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# INVOLVEMENT OF LABOR UNIONS

- The City has been very deliberate in its design of the managed competition program
- At every step of the way, the City has negotiated with or sought the opinion of employee unions
- To date, there have been 68 meetings on the program, beginning with negotiation on the ballot measure, continuing with the Implementation Ordinance, and finally, to request the unions' feedback on the draft *Managed Competition Guide*



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# **WHAT ARE PLANNED NEXT STEPS?**



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# NEXT STEPS AND TIMELINE

Activity	Timeline
Initiate pre-competition assessments	By end of 2007
Complete initial pre-competition assessments	Winter 2007/Spring 2008
Announce functions for initial procurement	Spring 2008
Develop RFP	Spring – Summer 2008
Advertise solicitation	Summer 2008
IRB reviews proposals	Fall 2008
Mayor/Council consider award recommendations	End of 2008
Transition to proposed service delivery process completed	By Summer 2009
Begin performance monitoring	Thereafter



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